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BY E-FILE

The Honorable Mary Pat Thynge
Magistrate Judge
United States District Court
U.S. Courthouse
844 N. King Street
Wilmington, DE 19801

Re: Honeywell International, Inc., *et al.*, v. Apple Computer, Inc., *et al.*,
D. Del., C.A. No. 04-1338-***

Dear Magistrate Judge Thynge:

We write on behalf of the Manufacturer Defendants in response to Your Honor's order of January 18 requesting the parties' respective positions regarding the efficient handling of the remainder of this large, multi-defendant patent infringement action. Specifically, we write in support of our proposal to defer expert reports on damages until after completion of the initial jury trial, which Judge Jordan limited to the issues of validity and enforceability of the patent-in-suit. For reasons that will lead only to case management inefficiencies, Honeywell opposes any such postponement. Indeed, it appears that, in addition to its desire to proceed with expert discovery on damages notwithstanding that damages is not a "first trial" issue, Honeywell seeks

to lift the stay of its claims against the Customer Defendants, which has been in place for more than one year.[1]

As Your Honor is aware, the patent-in-suit, the '371 patent, was filed on July 9, 1992 and issued January 18, 1994. Honeywell waited until October 6, 2004 (more than ten years later) to assert its patent against the initial defendants (both manufacturer and customer defendants) and another year to assert the patent against the new Manufacturer Defendants. Honeywell's long delay in asserting the '371 patent against the defendants compounded the normal problem of finding prior art and relevant contemporaneous third-party work in the field at issue. Not only did this delay impact on validity and enforceability discovery, it created an impact on many of the party-specific issues of the Manufacturer Defendants, such as infringement, laches, damages and willfulness.

In Judge Jordan's Order of May 18, 2005 (D.I. 202) (Ex. A hereto), he stayed this case as to "customer defendants" and set out a procedure whereby they would be replaced by their suppliers after this process was completed. In his March 28, 2006 Scheduling Order (D.I. 376) (Ex. B hereto), after the procedure for identifying and providing Manufacturer Defendants was essentially completed, Judge Jordan recognized the difficulties confronting the large number of Manufacturer Defendants in preparing for, and participating in, the trial of this action. Indeed, during the March 13 hearing on the parties' respective scheduling proposals, the Court expressly

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[1] For many of the same reasons that support postponing expert reports on damages (not the least of which is that damages will not be tried, if it is tried at all, until after the initial trial), the Manufacturer Defendants oppose Honeywell's request to lift the stay as to the Customer Defendants and respectfully refer the Court to the letter submitted today by the Customer Defendants in support of a continued stay. Please note that several of the Manufacturer Defendants are what were classified as hybrids, both manufacturing or assembling LCD modules and buying such modules from third parties. The portion of this case relating to such hybrid defendants' third party modules has also been stayed.

rejected Honeywell's trial approach (trial on all issues against all defendants). Instead, Judge Jordan adopted the approach advocated by the majority of Manufacturer Defendants: a first trial on common issues. *See* March 13, 2006 Hearing Tr. at 32 (Ex. C hereto).

Accordingly, paragraph 18 of the Scheduling Order provides for an initial jury trial on the issues of validity and enforcement of U.S. Patent No. 5,280,371 involving only the Manufacturer Defendants. Following that trial, Judge Jordan was to decide how the remaining issues (*e.g.*, infringement, laches, damages, willfulness) were to be tried, to the extent they survive the first trial.

Paragraph 3(d) of the Order provides that:

> Unless otherwise agreed to by the parties, they shall file their initial Federal Rule of Civil Procedure 26(a)(2) disclosures of expert testimony on or before ninety (90) days before the date of completion of discovery, and file a supplemental disclosure to contradict or rebut evidence on the same subject matter identified by another party on or before forty-five (45) days before the date for the completion of discovery.

As the foregoing deadline approached, it became clear that it would be a waste of time, money and effort to produce damages expert reports at this early stage of the case. To the extent a second trial or trials become necessary, supplemental discovery on damages and supplemental damages expert reports would, inevitably, be required. To the extent products and defendants are eliminated from the case by summary judgment or as a result of the first trial, the initial damages expert reports would have been unnecessary, in whole or in part.

In view of the foregoing, the Manufacturer Defendants propose to defer only damages expert reports until after the results of the initial trial are known and the Court sets a schedule for the conduct of the next stage of this case. Damages discovery would be completed and technical expert reports would be exchanged in accordance with the existing Scheduling

Order (as amended to extend all deadlines by three months as proposed by Plaintiffs and the Manufacturer Defendants).

The Manufacturer Defendants, through Lawrence Rosenthal (counsel for the Fuji Defendants), have met and conferred with Matthew Woods, counsel to Plaintiffs, but Plaintiffs have refused to agree to the Manufacturer Defendants' common sense approach to expert damages discovery. Rather, it is now clear that Plaintiffs oppose the Manufacturer Defendants' proposal because Plaintiffs seek a more fundamental change in the schedule: the reintroduction of the stayed customer defendants. The Manufacturer Defendants, which advocated the two-step trial schedule adopted by Judge Jordan over the vigorous objections of the Plaintiffs, oppose any such fundamental change in the Scheduling Order, especially at this late date.[2]

Respectfully,

/s/ Philip A. Rovner

Philip A. Rovner

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Enc.
cc: All Local Counsel of Record – By ECF

[2] Aside from Mr. Woods' mention, without explanation, that Plaintiffs were contemplating a "fundamental change" in the schedule, and Mr. Rosenthal's advice that the Manufacturer Defendants would oppose any "fundamental change" in the schedule, the meet and confer between Mr. Rosenthal and Mr. Woods on the 3-month extension and damages expert report issues did not deal with a lifting of the stay applicable to customer defendants.